

Message Text

UNCLASSIFIED

PAGE 01 WINNIP 00212 091505Z
ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 EA-09 TRSE-00 /029 W
-----100138Z 002170 /66

R 091453Z JUN 77
FM AMCONSUL WINNIPEG
TO SECSTATE WASHDC 1922
INFO AMEMBASSY OTTAWA
AMCONSUL TORONTO
AMCONSUL HALIFAX
AMCONSUL QUEBEC
AMCONSUL MONTREAL
AMCONSUL CALGARY
AMCONSUL VANCOUVER

UNCLAS WINNIPEG 212

E.O. 11652: N/A
TAGS: EMIN, CA
SUBJ: RECENT DEVELOPMENTS IN SASKATCHEWAN POTASH INDUSTRY

REF: WINNIPEG A-6 3/31/77 (NOTAL)

1. SUMMARY: WHILE THE PROVINCE OF SASKATCHEWAN HAS NOT ACQUIRED ANY NEW POTASH COMPANIES OF LATE, THERE HAVE BEEN SOME NOTABLE DEVELOPMENTS IN THE INDUSTRY INCLUDING RESUMED POTASH SALES TO CHINA. END SUMMARY.

2. STATUS OF MINE ACQUISITIONS BY PROVINCE:

--ALWINSAL: AS REPORTED REFAIR, PROVINCIAALLY OWNED POTASH CORP OF SASKATCHEWAN (PCS) MET IN PARIS IN MAY WITH ALWINSAL OWNERS WITHOUT REACHING AGREEMENT. FURTHER NEGOTIATIONS ARE SCHEDULED DURING JUNE, BUT UNPAID AND DISPUTED BACK TAXES MAY BE ONE FACTOR THAT IS COMPLICATING THIS ACQUISITION.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 WINNIP 00212 091505Z

--CENTRAL CANADA POTASH: EVALUATION COMPLETED PCS, NOW INTO NEGOTAITIONS.

--ALLAN MINE: EVALUATION STILL UNDERWAY.

3. POTASH SALE TO CHINA: IN LATE MAY, PEOPLES REPUBLIC OF CHINA BOUGHT 50,000 TONS OF SASKATCHWAN POTASH FOR DELIVERY IN JULY

AND AUGUST. ALTHOUGH SELLING PRICE NOT DISCLOSED, SALE ESTIMATED WORTH DOLS 3.6 MILLION. SASKATCHEWAN OFFICIALS WERE PLEASED INASMUCH AS TRANSACTION RESUMES PATTERN OF SALES TO CHINA AFTER TWO-YEAR HIATUS. CHINA HAD BOUGHT ABOUT DOLS 20 MILLION WORTH OF POTASH FROM CANADA BETWEEN 1972 AND 1975, BUT SINCE THEN, CHINESE SEEMED UNCONVINCED ABOUT VALUE OF OF POTASH AS FERTILIZER. TO COUNTER

THIS, CANADIANS SENT TECHNICAL AND TRADE MISSION TO CHINA IN MAY THIS YEAR, WHICH FOLLOWED A TRIP THE YEAR BEFORE BY PREMIER BLAKENEY. PREMIER THINKS IT LIKELY THERE WILL BE MORE SALES OF SASKATCHEWAN POTASH TO CHINESE LATER THIS YEAR. CHINA SALE IS SEEN AS SIGNIFICANT BECAUSE CANADIAN POTASH OFF-SHORE EXPORTS (NOT COUNTING SALES TO U.S.) HAVE BEEN SLUMPING OFF IN RECENT YEARS.

4. MARKET PROSPECTS: SASKATCHEWAN POTASH SALES TO U.S. CUSTOMERS HAVE SHOWN AN INCREASE OF 26 PER CENT OVER LAST YEAR. PETER JACK, PRESIDENT OF CANADIAN POTASH PRODUCERS ASSOCIATION DESCRIBES IT AS "A PRETTY GOOD YEAR" IN TERMS OF TONNAGE WITH SALES HEADING TOWARD 6 MILLION TONS FOR YEAR ENDING JUNE 30. MINES ARE OPERATING 75-80 PERCENT CAPACITY AND THERE MAY BE A NEED TO EXPAND PRODUCTION. EARLIER IN THE YEAR SOME UNCERTAINTY HUNG OVER INDUSTRY AS FARMERS HELD BACK FERTILIER PURCHASES DUE TO DRY WEATHER AND FEARS OF A POOR CROP. RAINS IN RECENT WEEKS HAVE CHANGED PICTURE CONSIDERABLY. THERE IS NOW TALK ABOUT POTENTIAL INABILITY TO MEET DEMAND AS FARMERS RUSH TO GET FERTILIZERS AND CHEMICALS TO TREAT THEIR FIELDS.

5. RESERVE TAXES STILL MAJOR BURDEN FOR PRIVATE PRODUCERS:

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 WINNIP 00212 091505Z

AADESPITE IMPROVING MARKET PROSPECTS, MR. JACK CLAIMS POTASH INDUSTRY STILL NOT ENJOYING A GOOD YEAR BECAUSE OF HIGH FEDERAL AND PROVINCIAL TAXES, AND SOME MINES ARE REPORTEDLY CONTINUING TO LOSE MONEY.

--PROVINCIAL GOVERNMENT MADE SOME CONCILIATORY GESTURES IN APRIL BY INTRODUCING AMENDMENTS TO RECALCULATE UNPAID BACK TAXES BY SEVERAL COMPANIES. MR. JACK CHARACTERIZED THESE AS NOTHING MORE THAN BOOKKEEPING CHANGES WHICH RETROACTIVELY PLUG A FEW LOOPHOLES TO FORESTALL ANY FURTHER CHALLENGES TO THE PROVINCIAL RESERVES TAX.

--RESERVES TAX FACES A CONSTITUTIONAL CHALLENGE IN SASKATCHEWAN COURTS ON OCT 24 IN JOINT ACTION BY PRODUCING COMPANIES. THEY CLAIM RESERVES TAX IS INDIRECT FORM OF TAXATION, IS OUTSIDE PROVINCIAL

JURISDICTION, AND ARE ASKING FOR REFUND OF TAXES ALREADY COLLECTED BY PROVINCE.

--WHILE COURT CASE PENDING, IT IS NOTEWORTHY THAT PCS DORY LTD
FORMERLY DUVAL MINE, AND FIRST ACQUISITION BY PROVINCE) PAID ITS
RESERVE TAX OF DOLS 1.8 MILLION FOR FIRST QUARTER 1977.
WHILE THIS AMOUNTS TO SIMPLY TRANSFERING MONEY FROM ONE PROVINCIAL
POCKET TO ANOTHER, OBSERVERS THINK THIS PROCEDURE WILL MAKE IT
EASIER TO CALCULATE WHETHER OR NOT PROVINCE IS OPERATING ITS MINE
PROFITABLY, AND ALSO WHETHER RESERVES TAX IS AS ONEROUS AS THE
PRIVATE COMPANIES ASSERT.
HUTSON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INDUSTRY, POTASSIUM, PROGRESS REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977WINNIP00212
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770206-1036
Format: TEL
From: WINNIPEG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770671/aaaacklx.tel
Line Count: 125
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0f0cee7f-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 WINNIPEG A-6
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2207299
Secure: OPEN
Status: NATIVE
Subject: RECENT DEVELOPMENTS IN SASKATCHEWAN POTASH INDUSTRY
TAGS: EMIN, CA
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0f0cee7f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009